

CITY OF OSKALOOSA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2008

CITY OF OSKALOOSA

Table of Contents

OFFICIALS	2
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-11
BASIC FINANCIAL STATEMENTS:	
	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Activities and Net Assets - Cash Basis	A 12
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash and Investment Balances	B 13
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash and Investment	
Balances to the Statement of Activities and Net Assets	C 14
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash and Investment Balances	D 15-16
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash and Investment	
Balances to the Statement of Activities and Net Assets	E 17
Notes to Financial Statements	18-30
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements	
and Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Enterprise Funds	31
Notes to Required Supplementary Information -	
Budgetary Reporting	32
OTHER SUPPLEMENTARY INFORMATION:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash and Investment Balances (Deficits) - Nonmajor	
Governmental Funds	1 33-34
Schedule of Cash Receipts, Disbursements and Changes in	
Cash and Investment Balances - Nonmajor	
Proprietary Funds	2 35
Schedule of Cash Receipts, Disbursements and Changes in	
Cash and Investment Balances - Internal Service Funds	3 36
Schedule of Cash Receipts, Disbursements and Changes in	
Cash and Investment Balances - Capital Project Funds	4 37
Schedule of Indebtedness	5 38
Schedule of Bond and Note Maturities	6 39-40
Schedule of Receipts by Source and Disbursements by Function -	
All Governmental Funds	7 41
Schedule of Expenditures of Federal Awards	8 42
Miscellaneous Data (Unaudited)	43
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND	
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL	
STATEMENTS PERFORMED IN ACCORDANCE WITH	
<i>GOVERNMENT AUDITING STANDARDS</i>	
44-45	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH	
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND	
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE	
WITH OMB CIRCULAR A-133	
46-47	
SCHEDULE OF FINDINGS	
48-52	

CITY OF OSKALOOSA

CITY OFFICIALS

June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Dixon	Mayor	Jan 2010
Pamela Blomgren	Council Member	Jan 2012
Tim Jimenez	Council Member (Started Jan 2008)	Jan 2012
Jimmy Carter	Council Member	Jan 2010
Janet VanDerBeek	Council Member	Jan 2010
Aaron Ver Steeg	Council Member	Jan 2010
Wesley Wills	Council Member	Jan 2010
Lori Smith	Council Member	Jan 2012
Michael Stout	Council Member	7/1/07 - 12/31/07
Brian James	City Manager	2/11/08 - Indefinite
Donald Sandor	City Manager	7/1/07 - 11/26/07
Marilyn Miller	City Clerk - Finance Director	Indefinite
Randy DeGeest	City Attorney	Indefinite
Elizabeth Finarty	City Engineer	
David Neubert	Public Works Director	
Vacant	Community Development Director	
Francis Glandon	Fire Chief	
John McGee	Police Chief	
Suzann Holland	Library Director	



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
4949 Pleasant Street, Suite 104
West Des Moines, Iowa 50266

(515)-223-4841
FAX: (515)-223-0851

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oskaloosa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Oskaloosa, as of June 30, 2008 and the respective changes in cash basis financial position thereof for the year ended June 30, 2008 in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of component units of the City of Oskaloosa, do not purport to, and do not present fairly, respective cash basis financial position and respective changes in cash basis financial position of the City of Oskaloosa, as of June 30, 2008, in conformity with the basis of accounting described in Note 1. Separate audit reports are issued by the respective component units.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008 on our consideration of the City of Oskaloosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 11 and budgetary comparison information on pages 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Oskaloosa's basic financial statements. We previously audited in accordance with the standards for the year ended June 30, 2007 (which is not presented herein) and expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in schedules 1 through 8 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements, and in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The information identified in the table of contents as miscellaneous statistical data is presented for purposes of additional analysis and is not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on it.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is an honor to present to you the financial activities of the City of Oskaloosa, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Oskaloosa, Iowa for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The cash and investments of the City at the close of the most recent fiscal year are \$10,096,513 compared to \$8,593,466 as of June 30, 2007.
- The government's total cash and investments increased by \$1,503,047.
- The City's total long-term debt, excluding compensated absences, increased by approximately \$611,000 during fiscal year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City of Oskaloosa's financial statements and provides an analytical overview of the City's financial activities. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide financial statements - The government-wide financial statement is designed to provide readers with a broad overview of the City's finances. The statement of activities and changes in cash and investment balances presents information showing how the City's cash and investment balance changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, community and economic development, capital projects and debt service. The business-type activities of the City include the sanitary sewer, airport, Edmundson Golf Course, stormwater and RACI Main Street loans.

The government-wide financial statements include only the primary government of the City. (See Note 1.B)

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. Governmental fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The City maintains numerous governmental funds. Information is presented separately in the statement of cash receipts, cash disbursements and changes in cash and investment balances for each major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City maintains five enterprise funds. The proprietary fund financial statements provide separate information for the Sanitary Sewer Fund, as this fund is considered to be a major fund of the City. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non major enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate internally among the City's various functions. The City maintains two internal service funds.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented following the notes to financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Table 1 highlights the City's receipts and disbursements for the fiscal years ended June 30, 2008 and 2007.

Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as charges for services and sales, operating and capital grants and contributions. General receipts include taxes and other unrestricted revenue sources.

The City's cash balance for governmental activities increased from a year ago from \$6.7 million to \$8.5 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

The City's total receipts for governmental activities increased by 19.7 percent or \$2.08 million. The total disbursements of all programs and services increased by approximately \$2,005,000 or 22.8 percent. The significant increase in receipts was primarily the result of bond proceeds that were issued in this year for capital projects. The increase in disbursements was primarily the result of additional debt service payments to retire older bond issues that were at a higher interest rate.

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances
(Expressed in Thousands)
Year ended June 30, 2008

	Governmental Activities 2008	Business Type Activities 2008	Total 2008
Receipts:			
Program receipts:			
Charges for service	\$ 481	\$ 2,029	\$ 2,510
Operating grants, contributions and restricted interest	1,806	-	1,806
Capital grants, contributions and restricted interest	22	552	574
General receipts:			
Property taxes	3,966	-	3,966
Other taxes	1,745	-	1,745
Investment earnings	319	102	421
Note proceeds	4,065	-	4,065
Other general receipts	241	21	262
Total receipts	<u>12,645</u>	<u>2,704</u>	<u>15,349</u>
Disbursements:			
Public safety	2,437	-	2,437
Public works	1,259	-	1,259
Culture and recreation	1,010	-	1,010
Community and economic development	1,677	-	1,677
General government	594	-	594
Debt service	2,768	-	2,768
Capital projects	1,044	-	1,044
Sewer	-	2,149	2,149
Airport	-	648	648
Edmundson Golf Course	-	233	233
Stormwater	-	27	27
Total disbursements	<u>10,789</u>	<u>3,057</u>	<u>13,846</u>
Increase (decrease) in cash and investments before transfers	1,856	(353)	1,503
Transfers	14	(14)	-
Increase (decrease) in cash and investments	1,870	(367)	1,503
Cash and investments, beginning	6,664	1,930	8,594
Cash and investments, ending	<u>\$ 8,534</u>	<u>\$ 1,563</u>	<u>\$ 10,097</u>

The City increased the total property tax rates in 2008 by 0.9 percent. The City's tax receipts from the tax levy increased by approximately \$80,000 in 2008. The increase is due to an increase in the total property tax levy.

The City decreased the total property tax rates in 2007 by 3.16 percent. The City's tax receipts from the tax levy decreased by approximately \$73,000 in 2007. The decrease is due to a decrease in the total property tax levy from a decline in tax askings.

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances
(Expressed in Thousands)
Year ended June 30, 2007

	Governmental Activities 2007	Business Type Activities 2007	Total 2007
Receipts:			
Program receipts:			
Charges for service	\$ 606	\$ 1,702	\$ 2,308
Operating grants, contributions and restricted interest	1,721	-	1,721
Capital grants, contributions and restricted interest	156	527	683
General receipts:			
Property taxes	3,880	-	3,880
Other taxes	1,643	-	1,643
Investment earnings	278	301	579
Other general receipts	2,280	15	2,295
Total receipts	10,564	2,545	13,109
Disbursements:			
Public safety	2,208	-	2,208
Public works	1,077	-	1,077
Culture and recreation	1,021	-	1,021
Community and economic development	1,669	-	1,669
General government	700	-	700
Debt service	1,629	-	1,629
Capital projects	480	-	480
Sewer	-	2,101	2,101
Airport	-	129	129
Edmundson Golf Course	-	256	256
Stormwater	-	30	30
RACI Main Street loans	-	5	5
Total disbursements	8,784	2,521	11,305
Increase in cash and investments before transfers	1,780	24	1,804
Transfers	(1)	1	-
Increase in cash and investments	1,779	25	1,804
Cash and investments, beginning	4,885	1,905	6,790
Cash and investments, ending	\$ 6,664	\$ 1,930	\$ 8,594

Table 2 below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 2 - Governmental Activities

Programs	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General government	\$ 594,454	\$ 349,313	\$ 699,535	\$ 363,053
Public safety	2,437,104	2,255,016	2,207,688	2,024,482
Public works	1,259,358	41,836	1,077,307	135,033
Culture and recreation	1,010,016	759,558	1,020,871	771,947
Community and economic development	1,676,546	1,287,118	1,669,319	1,056,887
Debt service	2,768,353	2,766,036	1,629,279	1,625,392
Capital projects	1,043,672	1,020,923	479,537	323,903
Total	<u>\$10,789,503</u>	<u>\$ 8,479,800</u>	<u>\$ 8,783,536</u>	<u>\$ 6,300,697</u>

Net cost of services is 79% and 72% of total cost of services in 2008 and 2007, respectively. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Business-type activities - Business-type activities decreased the City of Oskaloosa's cash and investments by \$367,051. Key elements of this decrease are as follows:

- The Sanitary Sewer Fund recorded a decrease of \$499,758 in cash and investments for the year due to no new debt issued during the fiscal year and early payment of \$400,000 SRF bonds.
- Total business type activities' revenue for the fiscal year was \$2,704,000 compared to \$2,545,000 for 2007. For 2008, all but \$24,000 of this revenue was generated for specific business-type activity expenses. This significant increase was due primarily to the beginning of the collection of the storm water fees.
- The Airport activity recorded an increase of \$8,187 in cash and investments for the year. The increase is due to grant funds received in the current year.
- The Edmundson Golf Course activity recorded an increase of \$33,625 due to the reduction in operating costs.
- The Storm Water Fund recorded an increase of \$94,353 due to charges for services starting in this year.
- The RACI Main Street Loans Fund recorded an increase in cash and investments of \$2,517 for the year due to no operating costs this year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. On the following page are the major reasons for the changes in cash and investment balances from the prior year for the City's major funds.

Governmental Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash and investment balance of the General Fund was \$1,512,771, a decrease of \$119,311 from the prior year. This decrease was due to increased public safety costs partly due to the purchase of a fire truck.

The Road Use Tax Fund cash and investment balance decreased by \$27,296 to \$795,528 during the fiscal year. This decrease was due to increased costs from additional snow removal.

The Library Maintenance Fund was established by the Local Option Sales and Service Tax Referendum to maintain the Library in future years. The funds are from the Local Option Sales and Service Tax with only interest proceeds from those funds to be expended. At the end of the fiscal year, the cash and investment balance was \$1,210,424, an increase of \$13,066.

The Local Option Sales and Service Tax Revenue Fund had no cash and investment balance in the current or prior year.

The Debt Service Fund had an increase of \$12,926 for an ending cash and investment balance of \$126,450. The increase was from increased interest earnings.

The Employee Benefits Fund had an increase of \$54,711 for an ending cash and investment balance of \$84,293 due to increased property tax receipts and decrease in expenses.

The Capital Projects Funds had an increase of \$1,870,725 for an ending cash and investment balance of \$3,708,878 due to bond proceeds received for projects still to be completed.

Proprietary Funds

The cash and investment balance of the Sanitary Sewer Fund decreased \$499,758 to \$1,470,691, due primarily to an increase in debt service payments.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget twice. The amendments resulted in an increase in operating disbursements related to various projects. The second amendment was for the early payment of sanitary sewer bonds. The City had sufficient cash and investment balances and revenue to cover the budget amendments.

DEBT ADMINISTRATION

At year-end, the City had approximately \$14,488,000 in bonds and other long-term debt compared to approximately \$13,877,000 last year as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)

	2008	2007
General obligation bonds	\$ 3,790	\$ 5,760
General obligation notes	4,775	1,095
Revenue bonds and capital loan notes	5,833	6,768
Capital leases	90	114
Iowa Finance Authority loan	-	140
Total	<u>\$ 14,488</u>	<u>\$ 13,877</u>

Debt increased as a result of a new bond issue.

The City's general obligation bond rating has been A2 since 1999. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$8,565,000 is well below the City's \$21.2 million debt limit.

More detailed information about the City's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2009 fiscal year budget. One of those factors is the economy. Unemployment in Mahaska County now stands at 4.4 percent versus 3.5 percent in 2007. This compares with the state's unemployment rate of 4.0 percent. These indicators were taken into account when adopting the budget for 2009.

REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Marilyn Miller, Finance Director, 220 South Market Street, Oskaloosa, Iowa 52577.

Basic Financial Statements

CITY OF OSKALOOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts			Net (Disbursements)Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 2,437,104	\$ 55,635	\$ 126,453	\$ -	\$(2,255,016)	\$ -	\$ (2,255,016)
Public works	1,259,358	15,299	1,202,223	-	(41,836)	-	(41,836)
Culture and recreation	1,010,016	111,716	138,742	-	(759,558)	-	(759,558)
Community and economic development	1,676,546	63,074	326,354	-	(1,287,118)	-	(1,287,118)
General government	594,454	233,120	12,021	-	(349,313)	-	(349,313)
Debt service	2,768,353	2,317	-	-	(2,766,036)	-	(2,766,036)
Capital projects	1,043,672	-	-	22,749	(1,020,923)	-	(1,020,923)
Total governmental activities	10,789,503	481,161	1,805,793	22,749	(8,479,800)	-	(8,479,800)
Business-type activities:							
Sanitary sewer	2,148,989	1,521,491	99,123	-	-	(528,375)	(528,375)
Other	908,366	507,009	-	551,952	-	(150,595)	150,595
Total business-type activities	3,057,355	2,028,500	99,123	551,952	-	(377,780)	(377,780)
Total	\$13,846,858	\$2,509,661	\$1,904,916	\$ 574,701	(8,479,800)	(377,780)	(8,857,580)
General receipts:							
Property taxes levied for:							
General purposes					2,940,387	-	2,940,387
Tax increment financing					472,544	-	472,544
Debt service					1,025,700	-	1,025,700
Local option sales tax					1,012,543	-	1,012,543
Other taxes					259,914	-	259,914
Unrestricted investment earnings					318,786	2,951	321,737
Bond proceeds					4,065,000	-	4,065,000
Miscellaneous					13,193	22,040	35,233
Sale of capital assets					227,569	-	227,569
Transfers					14,262	(14,262)	-
Total general receipts and transfers					10,349,898	10,729	10,360,627
Change in cash basis net assets					1,870,098	(367,051)	1,503,047
Cash basis net assets, beginning of year					6,663,786	1,929,680	8,593,466
Cash basis net assets, end of year					\$ 8,533,884	\$ 1,562,629	\$ 10,096,513
Cash Basis Net Assets							
Restricted:							
Streets					\$ 795,528	\$ -	\$ 795,528
Urban renewal purposes					1,210,424	-	1,210,424
Debt service					126,450	573,946	700,396
Other purposes					4,443,133	-	4,443,133
Unrestricted					1,958,349	988,683	2,947,032
Total cash basis net assets					\$ 8,533,884	\$ 1,562,629	\$ 10,096,513

See notes to financial statements.

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and Changes in Cash and Investment Balances
Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue							
	General	Road Use Tax	Library Maintenance	Local Option Sales and Service Tax Revenue	Employee Benefits	Debt Service	Capital Projects	Nonmajor
Total								
Receipts:								
Property tax	\$ 2,057,208	\$ -	\$ -	\$ -	\$ 879,251	\$ 1,025,700	\$ -	\$ 3,928
Tax increment financing	-	-	-	-	-	-	-	472,544
Other City tax	85,533	-	-	1,012,543	35,063	38,981	-	100,337
Licenses and permits	232,545	-	-	-	-	-	-	-
Use of money and property	95,367	-	54,159	-	3,467	113,020	4,842	36,907
Intergovernmental	165,710	945,569	-	-	-	-	6,804	390,070
Charges for service	151,056	-	-	-	-	-	-	2,758
Special assessments	-	-	-	-	-	2,317	2,780	188
Miscellaneous	57,507	-	-	-	-	-	8,322	315,720
Total receipts	2,844,926	945,569	54,159	1,012,543	917,781	1,180,018	22,748	1,322,452
Disbursements:								
Operating:								
Public safety	2,388,932	-	-	-	-	-	-	48,172
Public works	130,741	964,856	-	-	-	-	-	156,945
Culture and recreation	768,116	-	41,093	-	-	-	-	200,807
Community and economic development	120,599	-	-	1,012,543	-	-	-	540,889
General government	551,333	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	2,768,353	-	-
Capital projects	-	-	-	-	-	-	1,043,651	-
Total disbursements	3,959,721	964,856	41,093	1,012,543	-	2,768,353	1,043,651	946,813
Excess (deficiency) of receipts over (under) disbursements	(1,114,795)	(19,287)	13,066	-	917,781	(1,588,335)	(1,020,903)	375,639
Other financing sources (uses):								
Bond proceeds	-	-	-	-	-	-	4,065,000	-
Sale of capital assets	-	-	-	-	-	-	4,151	223,417
Operating transfers in	1,019,870	-	-	-	-	1,601,261	1,671,984	55,849
Operating transfers out	(24,386)	(8,009)	-	-	(863,070)	-	(2,849,507)	(589,730)
Total other financing sources (uses)	995,484	(8,009)	-	-	(863,070)	1,601,261	2,891,628	(310,464)
Net change in cash and investment balances	(119,311)	(27,296)	13,066	-	54,711	12,926	1,870,725	65,175
Cash and investment balances, beginning of year	1,632,082	822,824	1,197,358	-	29,582	113,524	1,838,153	579,880
Cash and investment balances end of year	\$ 1,512,771	\$ 795,528	\$1,210,424	\$ -	\$ 84,293	\$ 126,450	\$ 3,708,878	\$ 645,055
Cash Basis Fund Balances:								
Reserved:								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,450	\$ -	\$ -
Unreserved:								
General fund	1,512,771	-	-	-	-	-	-	-
Special revenue funds	-	795,528	1,210,424	-	84,293	-	-	645,055
Capital projects fund	-	-	-	-	-	-	3,708,878	-
Total cash basis fund balances	\$ 1,512,771	\$ 795,528	\$1,210,424	\$ -	\$ 84,293	\$ 126,450	\$ 3,708,878	\$ 645,055

See notes to financial statements.

CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash and Investment Balances
to the Statement of Activities and Net Assets
Governmental Funds

As of and for the year ended June 30, 2008

Total governmental funds cash and investment balances (page 13) \$ 8,083,399

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the statement of activities and net assets.

450,485

Cash basis net assets of governmental activities (page 12) \$ 8,533,884

Net change in cash and investment balances (page 13) \$ 1,869,996

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

102

Change in cash and investment balances of governmental activities (page 12) \$ 1,870,098

See notes to financial statements.

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise			Internal
	Sanitary	Nonmajor		Service
	Sewer	Enterprise	Total	Funds
		Funds		
Operating receipts:				
Use of money and property	\$ -	\$ 170,249	\$ 170,249	\$ 16,352
Charges for services	1,514,218	336,761	1,850,979	727,033
Special assessments	7,273	-	7,273	-
Miscellaneous	-	-	-	22,718
Total operating receipts	1,521,491	507,010	2,028,501	766,103
Operating disbursements:				
Business type activities	907,763	342,531	1,250,294	-
Nonprogram	-	-	-	771,976
Total operating disbursements	907,763	342,531	1,250,294	771,976
Excess (deficiency) of operating receipts over (under) operating disbursements	613,728	164,479	778,207	(5,873)
Non-operating receipts (disbursements):				
Intergovernmental	-	551,952	551,952	-
Interest on investments	99,123	2,951	102,074	-
Miscellaneous	13,288	8,752	22,040	-
Capital projects	(61,055)	(534,582)	(595,637)	-
Debt service	(1,174,965)	(30,485)	(1,205,450)	-
Net non-operating receipts (disbursements)	(1,123,609)	(1,412)	(1,125,021)	-
Excess (deficiency) of receipts over (under) disbursements	(509,881)	163,067	(346,814)	(5,873)
Other financing sources (uses):				
Operating transfers in	10,123	14,921	25,044	-
Operating transfers out	-	(39,306)	(39,306)	-
Total other financing sources (uses)	10,123	(24,385)	(14,262)	-
Net changes in cash and investment balances	(499,758)	138,682	(361,076)	(5,873)
Cash and investment balances beginning of year	1,970,449	(27,134)	1,943,315	436,748
Cash and investment balances, end of year	\$1,470,691	\$ 111,548	\$1,582,239	\$ 430,875

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances - Continued
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise			Internal Service Funds
	Sanitary Sewer	Nonmajor Enterprise Funds	Total	
Cash Basis Fund Balances:				
Reserved for debt service	\$ 573,946	\$ -	\$ 573,946	\$ -
Unreserved	896,745	111,548	1,008,293	430,875
Total cash basis fund balances	<u>\$1,470,691</u>	<u>\$ 111,548</u>	<u>\$1,582,239</u>	<u>\$ 430,875</u>

See notes to financial statements.

CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances to the Statement of Activities and Net Assets
Proprietary Funds

As of and for the year ended June 30, 2008

Total enterprise funds cash and investment balances (page 15) \$ 1,582,239

*Amounts reported for business type activities in the statement of activities
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of assets of the Internal Service Fund are included in the business type activities in the statement of net assets.

(19,610)

Cash basis net assets of business type activities (page 12) \$ 1,562,629

Net changes in cash and investment balances (page 15) \$ (361,076)

*Amounts reported for business type activities in the statement of activities
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. An allocation of the change in net assets of the Internal Service Fund is reported with business type activities.

(5,975)

Change in cash basis net assets of business type activities (page 12) \$ (367,051)

See notes to financial statements.

CITY OF OSKALOOSA

Notes to Financial Statements

June 30, 2008

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of operations:

The City of Oskaloosa, Iowa (City), is a political subdivision of the State of Iowa located in Mahaska County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides an airport, golf course and sewer services.

B. Reporting entity:

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Oskaloosa, Iowa is a municipal corporation and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

The financial statements present only the City of Oskaloosa, Iowa (the primary government). The financial statements do not include the component units of the City. The entities discussed below are component units of the City because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issue separate audited financial statements, can be obtained from their respective administrative offices.

The Municipal Waterworks Utility is a separate legal entity. However, it is financially accountable to the City. The Utility is governed by a three-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Municipal Waterworks issues separate audited cash basis financial statements with a fiscal year-end of June 30, which are available at their administrative office.

The Oskaloosa Municipal Housing Agency is a separate legal entity. However, it is financially accountable to the City. The Agency is governed by a five-member board appointed by the Mayor and subject to the approval by the City Council and its operating budget is subject to the approval of the City Council. The Oskaloosa Municipal Housing Agency issues separate audited financial statements with a fiscal year-end of September 30, which are available at their administrative office.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of presentation:

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. There are no indirect disbursements. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor government funds.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is utilized to account for receipt of the allocation from the state of excise taxes on motor fuel and other transportation related sources, to be used for construction, maintenance and supervision of the public streets.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of presentation - continued:

The Library Maintenance Fund was established with Local Option Sales and Service Tax with the revenues from the tax to be used to preserve and maintain the library facility and its functions and equipment as renovated, expanded, established and reopened to the public in 1997.

The Local Option Sales and Service Tax Revenue Fund is utilized to account for the revenues from the State and Local Option Sales and Service Tax and the expenditure of those funds for the specific purpose as set forth in the referendum.

The Employee Benefits Fund is utilized to account for tax receipts expended for employee benefits.

The Debt Service Fund is utilized to account for payment of interest, principal and fees on the City's general long-term debt.

The Capital Projects Fund, is used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary fund:

The Proprietary Fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector.

The Sanitary Sewer Fund is used to account for operations of providing sanitary sewer services.

The City also reports the following additional proprietary funds:

The Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments or agencies of the City on a cost-reimbursement basis.

D. Significant accounting policies:

The City of Oskaloosa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Significant accounting policies - continued:

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Property Taxes: All City property taxes must be certified to the Mahaska County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2008, attached as an enforceable lien on July 1, 2007, with the first half installment being delinquent after September 30, 2007 and the second half installment being delinquent after March 31, 2008.

Investments: Investments are stated at cost. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Proprietary Funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

(2) BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds combined except for internal service funds. The annual budget may be amended during the year utilizing similar statutory prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and nonprogram.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(2) BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED

Appropriations as adopted or amended lapse at the end of the fiscal year. The nonprogram disbursements are not budgeted.

(3) DEPOSITS AND INVESTMENTS

The City's deposit and investment accounts as of June 30, 2008 consist of the following:

Deposit and Investment Type	Investment Maturities (in years)				
	Cost	Less than 1	1 to 5	6 to 10	More than 10
Petty cash	\$ 605	\$ -	\$ -	\$ -	\$ -
Checking, savings and money market	787,807	-	-	-	-
Certificates of deposit	5,550,000	5,550,000	-	-	-
Debt securities	1,124,236	-	254,830	463,751	405,655
Iowa Public Agency Investment Trust	2,633,865	-	-	-	-
Total	\$10,096,513	\$ 5,550,000	\$ 254,830	\$ 463,751	\$405,655

Interest rate risk: As a means of limiting its exposure to fair value losses arising from changing interest rates, the City's investment policy requires operating funds to be invested in instruments that mature within three hundred ninety-seven days. Operating funds are defined as funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. All nonoperating funds may be invested in investments with maturities longer than three hundred ninety-seven days.

Authorized investments and credit risk: The City is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; commercial paper or other short-term commercial debt that mature within two hundred and seventy days and meet certain classification ratings; repurchase agreements with collateral consisting of investment obligations of the United States government; open-end management investment companies registered with the federal securities and exchange commission; and certain joint investments trusts. The City has no policy that would further limit its investment choices. The City's investment in the Iowa Public Agency Investment Trust is unrated.

As of June 30, 2008, the City's debt securities were rated as follows:

Investment type	Moody's Investor's Service	Standard & Poor's	Cost	Fair Value
FHLB	Aaa	AAA	\$ 108,135	\$ 109,716
FNMA	Aaa	AAA	404,914	406,563
FHLMC	Aaa	AAA	611,187	612,088
			<u>\$ 1,124,236</u>	<u>\$ 1,128,367</u>

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(3) DEPOSITS AND INVESTMENTS - CONTINUED

Concentration of credit risk: The City's general investment policy requires the Treasurer of the City of Oskaloosa to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the investment objectives and to consider the role that each investment or deposit plays within the portfolio of assets of the City. More than 5 percent of the City's investments are in the Iowa Public Agency Investment Trust, FHLB, FNMA and FHLMC. These investments are 70 percent, 3 percent, 11 percent and 16 percent, respectively, of the City's \$3,758,101 total investments. All of the debt securities investments are reported in the Library Maintenance Fund and the Library Memorial Fund, both special revenue funds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2008, the City's investments are held in the City's name. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2008, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

(4) LONG-TERM DEBT

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2008:

	Balance June 30, 2007	Issued	Redeemed	Balance June 30, 2008
Governmental Activities				
General obligation bonds	\$ 5,760,000	\$ -	\$ 1,970,000	\$ 3,790,000
General obligation notes	1,095,000	4,065,000	385,000	4,775,000
Housing assistance fund	140,088	-	140,088	-
	<u>\$ 6,995,088</u>	<u>\$ 4,065,000</u>	<u>\$ 2,495,088</u>	<u>\$ 8,565,000</u>
Business-Type Activities				
Revenue bonds and capital loan notes	\$ 6,768,000	\$ 14,030	\$ 949,000	\$ 5,833,030
Capital leases	114,019	-	24,153	89,866
	<u>\$ 6,882,019</u>	<u>\$ 14,030</u>	<u>\$ 973,153</u>	<u>\$ 5,922,896</u>

Interest rates range from 2.60% to 5.50% on bonds and notes. The City paid \$491,105 in interest on debt obligations for the year ended June 30, 2008.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(4) LONG-TERM DEBT - CONTINUED

On June 30, 2008, the general obligation debt issued by the City did not exceed its legal debt margin compiled as follows:

Assessed valuation		<u>\$ 424,610,586</u>
Debt limit - 5% of total valuation		\$ 21,230,529
Debt applicable to debt limit:		
General obligation bonds	\$ 3,790,000	
General obligation notes	<u>4,775,000</u>	<u>8,565,000</u>
Legal debt margin		<u>\$ 12,665,529</u>

A summary of the City's June 30, 2008 general obligation bonds, general obligation notes, revenue bonds and revenue capital loan notes principal and interest maturities is as follows:

Year Ending June 30,	Total General Obligation Bonds		Total General Obligation Notes	
	Principal	Interest	Principal	Interest
2009	\$ 405,000	\$ 137,808	\$ 670,000	\$ 182,883
2010	425,000	124,467	495,000	145,710
2011	435,000	109,968	475,000	130,075
2012	455,000	94,592	370,000	114,400
2013	480,000	78,238	280,000	102,210
2014-2018	1,590,000	154,295	1,245,000	369,385
2019-2023	-	-	1,240,000	152,837
2024	-	-	-	-
Total	<u>\$ 3,790,000</u>	<u>\$ 699,368</u>	<u>\$ 4,775,000</u>	<u>\$1,197,500</u>

Year Ending June 30,	Total General Revenue Bonds		Total Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 168,000	\$ 101,760	\$ 318,677	\$ 80,200	\$ 1,561,677	\$ 502,651
2010	173,000	96,720	369,677	69,505	1,462,677	436,402
2011	179,000	91,530	379,676	56,805	1,468,676	388,377
2012	184,000	86,160	368,000	43,485	1,377,000	338,638
2013	189,000	80,640	210,000	30,300	1,159,000	291,388
2014-2018	1,036,000	314,550	800,000	57,660	4,671,000	895,890
2019-2023	1,201,000	149,550	-	-	2,441,000	302,387
2024	257,000	7,860	-	-	257,000	7,860
Total	<u>\$ 3,387,000</u>	<u>\$ 928,770</u>	<u>\$ 2,446,030</u>	<u>\$ 337,955</u>	<u>\$14,398,030</u>	<u>\$ 3,163,593</u>

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(4) LONG-TERM DEBT - CONTINUED

The resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. Sufficient monthly transfers shall be made to a sanitary sewer sinking account for the purpose of making the bond principal and interest payments when due.
- C. Sufficient monthly transfers to the sanitary sewer reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of making bond principal and interest payments should there be insufficient funds available in the sinking account. As of June 30, 2008, \$553,963 of cash and investments is in the reserve account.
- D. The City must establish and maintain a sewer improvements account. Money in the improvement account, not otherwise specifically limited by other provisions, shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the sinking account and the reserve account; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget; payments of rentals on any part of the system or payments due for any property purchased as part of the system and for capital improvements to the system. As of June 30, 2008, \$19,983 of cash and investments is in the improvement account.
- E. All amounts remaining in the sanitary sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sanitary sewer surplus revenue fund. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to make.
- F. The City must maintain net sewer revenues of at least 110 percent of the next fiscal year's debt service payment.

The Iowa Finance Authority loaned the City \$1,515,000 on March 31, 1994; \$2,671,000 on February 16, 1996; \$1,585,000 on November 27, 2002; and \$4,017,000 on December 6, 2002, which are evidenced by the issue of Sewer Revenue Bonds and Sewer Revenue Capital Loan Notes for the other issues. Principal and interest payments on the Iowa Department of Natural Resources loans are treated as payments on the Revenue Bonds and Notes.

On May 14, 2008, the City acquired airport equipment through a 0% credit card purchase that is repaid in thirty-six (36) monthly payments of \$390 per month. The balance at June 30, 2008 was \$14,030.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(4) LONG-TERM DEBT - CONTINUED

Capital Leases

Golf carts and other golf equipment leases: The City is leasing golf carts and other golf equipment under two capital leases. The balance of the leases total \$89,866 as of June 30, 2008. On the golf equipment lease, annual payments are \$22,133 including interest at 5.58 percent. On the golf cart lease monthly payments are \$1,392 from May through October of each year, including interest at 5.6 percent. The lease is collateralized by the golf carts and equipment.

As of June 30, 2008, the present value of future minimum capital lease payments are as follows:

June 30,	Capital Leases
2009	\$ 30,485
2010	30,485
2011	<u>37,783</u>
Total minimum lease payments	98,753
Less amount representing interest	<u>8,887</u>
Presenting value of net minimum capital lease payments	<u>\$ 89,866</u>

Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees and the benefits that would be payable on this liability as of June 30, 2008 primarily relating to the General, Road Use Tax and Sanitary Sewer Funds, is as follows:

Type of Benefit:	
Vacation	\$ 119,078
Sick leave	707,499
Comp time	<u>25,541</u>
Total	<u>\$ 852,118</u>

The liability has been computed based on rates of pay in effect at June 30, 2008.

Sick leave is payable for fire and police union employees when used or upon full service retirement or death, for other union employees, upon retirement, 20 years of full time employment or death, and for nonunion employees upon twenty years of service or death. If paid upon retirement or death, half of the total accumulated hours are paid at the then effective hourly rate for that employee. Based on this computation, the maximum accumulated sick leave payable is half the amount above or approximately \$353,750 as of June 30, 2008.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(4) LONG-TERM DEBT - CONTINUED

Housing Assistance Fund:

The City entered into a loan agreement with the Iowa Finance Authority to finance a program to encourage the construction of affordable housing. The City may draw up to \$510,000 and will lend the proceeds to contractors/developers for construction or rehabilitation of homes for families with incomes of 80 percent to 110 percent of the Mahaska County median income. Each draw is due to the state the earlier of nine months from draw date or payment by the contractor to the City. The loan has an attached grant agreement that reduces the interest rate to 3 percent; however, the rate is 10 percent in the event of default. The balance of the loan is \$0 as of June 30, 2008.

(5) PENSION AND RETIREMENT SYSTEMS

Two retirement systems, the Iowa Public Employee Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa are in effect for employees of the City. Each of the systems is required by state law to be funded on an actuarial basis, by contributions sufficient to fully fund benefits being credited. One employee, the City Manager, is not covered by the systems mentioned previously, but is covered under the International City Management Association Retirement Corporation (ICMA). All systems are contributory and all full-time employees must participate in one of the retirement systems.

IPERS:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular Plan members are required to contribute 3.90 percent of their annual covered salary and the City is required to contribute 6.05 percent of annual covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$102,335, \$93,921 and \$92,880, respectively, which meet the required minimum contribution each year.

Municipal Fire and Police Retirement System of Iowa:

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issued a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Moines, Iowa 50266.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(5) PENSION AND RETIREMENT SYSTEMS - CONTINUED

Municipal Fire and Police Retirement System of Iowa: - Continued

Plan members are required to contribute 9.35 percent of earnable compensation and the City's contribution rate cannot be less than 17 percent of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2008, 2007, and 2006 were \$257,906, \$290,482 and \$292,098, respectively, which met the required contribution rate for each year.

(6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN

The City of Oskaloosa, Iowa has a self-insured Health Care Plan for City employees accounted for in internal service fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual in a twelve-month period is \$40,000. The maximum aggregate excess risk insurance is \$1,000,000 per policy period and the maximum specific excess risk insurance per covered person is \$1,960,000 per lifetime.

As of June 30, 2008, the Plan held \$430,551 in cash and investments. The estimate of the claims liability was \$89,000 for June 30, 2008 and \$145,000 for June 30, 2007, and includes claims reported but not settled and those incurred but not reported. Claim payments as of June 30, 2008 and 2007 were \$593,185 and \$675,520, respectively.

The City of Oskaloosa is also exposed to various risks related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) DEFICIT CASH BALANCES

On June 30, 2008, individual funds with deficit balances were as follows:

Special Revenue:	
2008 Disaster Relief - Floods	\$ (4,906)

This temporary cash shortfall is financed through short-term advances made by other funds within the fund type.

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(8) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Employee Benefits	\$ 863,070
	Emergency	4,049
	Housing Trust	74
	2007 Disaster Relief - Summer	20,980
	2008 Disaster Relief - Winter	854
	Enterprise	
	Edmundson Golf Course	1,305
	Airport	861
	Capital Projects	128,677
		<u>1,019,870</u>
Special Revenue	General	10,443
Housing Trust	Capital Projects	256
		<u>10,699</u>
2007 Disaster Relief - Spring	Enterprise	
	Storm Water	<u>37,140</u>
2007 Disaster Relief - Summer	Special Revenue	
	Road Use Tax	<u>8,009</u>
Debt Service	Special Revenue	
	Tax Increment Financing	411,068
	Housing Trust	141,603
	Capital Projects	1,048,590
		<u>1,601,261</u>
Capital Projects	Capital Projects	<u>1,671,984</u>
Enterprise	Special Revenue	
Sewer	2007 Disaster Relief - Summer	4,325
	2008 Disaster Relief - Winter	5,798
		<u>10,123</u>
Edmundson Golf Course	Special Revenue	
	2007 Disaster Relief - Summer	240
	2008 Disaster Relief - Winter	738
		<u>978</u>
Airport	General	<u>13,943</u>
		<u>\$ 4,374,007</u>

CITY OF OSKALOOSA

Notes to Financial Statements - Continued

June 30, 2008

(8) INTERFUND TRANSFERS - CONTINUED

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(9) POST-EMPLOYMENT BENEFITS

Employees who resign or their employment is terminated (for reasons other than gross misconduct on their part), or if work hours are reduced, and consequently the employee's dependents are no longer eligible to participate in the group health insurance are offered the following post-employment benefit option:

Health insurance - The option of continuing with the City's health insurance plan at the employee's own cost for up to eighteen months. If the employee is determined to be disabled under the Social Security Act at the time of their termination or reduction in hours, they may be entitled to continuation coverage for up to twenty-nine months.

The above options, while at the individual's own expense, are included within the City's overall insurance package. Therefore, a portion of the above coverage is being subsidized by the City and its current employees. However, the City cannot reasonably estimate the amount of this subsidy and its being expensed as incurred by the City.

(10) CONSTRUCTION COMMITMENTS

The City has several construction commitments to be financed from capital projects funds. The total outstanding construction commitments of the City as of June 30, 2008 is approximately \$1,373,000.

(11) ECONOMIC DEVELOPMENT

The City entered into a development agreement on December 18, 2002. This agreement calls for the City to make economic development tax rebate payments each year out of incremental taxes received by the City. Payments totaling \$175,000 were made during the year ended June 30, 2008 under this agreement. The total amount to be paid under this agreement is not to exceed the lesser \$588,744, the developer's cost to construct the public improvement or the actual tax increments available to the City.

(12) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$5,338 during the year ended June 30, 2008.

Required Supplementary Information

CITY OF OSKALOOSA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Enterprise Funds
Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Enterprise Funds Actual	Net	Budgeted Amounts			Adjusted Final	Final to Actual Variance- Positive (Negative)
				Original	Final	Adjustment (1)		
Receipts:								
Property tax	\$3,966,087	\$ -	\$ 3,966,087	\$ 3,947,051	\$ 3,947,051	\$ -	\$ 3,947,051	\$ 19,036
Tax increment financing collections	472,544	-	472,544	469,438	471,759	-	471,759	785
Other City tax	1,272,457	-	1,272,457	1,159,272	1,289,325	-	1,289,325	(16,868)
Licenses and permits	232,545	-	232,545	217,650	217,300	-	217,300	15,245
Use of money and property	307,762	272,323	580,085	406,734	542,096	(65,371)	476,725	103,360
Intergovernmental	1,508,153	551,952	2,060,105	3,115,260	4,343,735	(861,964)	3,481,771	(1,421,666)
Charges for service	153,814	1,850,979	2,004,793	3,535,625	3,444,231	(1,401,399)	2,042,832	(38,039)
Special assessments	5,285	7,273	12,558	-	10,065	-	10,065	2,493
Miscellaneous	381,549	22,040	403,589	546,300	783,332	(9,930)	773,402	(369,813)
Total receipts	8,300,196	2,704,567	11,004,763	13,397,330	15,048,894	(2,338,664)	12,710,230	(1,705,467)
Disbursements:								
Public safety	2,437,104	-	2,437,104	2,561,474	2,598,641	-	2,598,641	161,537
Public works	1,252,542	-	1,252,542	1,147,435	1,305,650	-	1,305,650	53,108
Culture and recreation	1,010,016	-	1,010,016	989,799	1,072,001	-	1,072,001	61,985
Community and economic development	1,674,031	-	1,674,031	2,902,208	2,871,988	(850,596)	2,021,392	347,361
General government	551,333	-	551,333	561,563	572,602	-	572,602	21,269
Debt service	2,768,353	-	2,768,353	1,849,551	2,768,354	-	2,768,354	1
Capital projects	1,043,651	-	1,043,651	412,461	3,331,679	-	3,331,679	2,288,028
Business-type activities	-	3,051,381	3,051,381	6,693,953	5,438,370	(2,031,014)	3,407,356	355,975
Total disbursements	10,737,030	3,051,381	13,788,411	17,118,444	19,959,285	(2,881,610)	17,077,675	3,289,264
Excess (deficiency) of receipts over (under) disbursements	(2,436,834)	(346,814)	(2,783,648)	(3,721,114)	(4,910,391)	542,946	(4,367,445)	1,583,797
Other financing sources (uses)	4,306,830	(14,262)	4,292,568	2,476,541	4,460,973	-	4,460,973	(168,405)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	1,869,996	(361,076)	1,508,920	(1,244,573)	(449,418)	542,946	93,528	1,415,392
Balances beginning of year	6,213,403	1,943,315	8,156,718	8,131,632	9,556,961	(1,326,836)	8,230,125	(73,407)
Balances end of year	<u>\$8,083,399</u>	<u>\$1,582,239</u>	<u>\$ 9,665,638</u>	<u>\$ 6,887,059</u>	<u>\$ 9,107,543</u>	<u>\$ (783,890)</u>	<u>\$ 8,323,653</u>	<u>\$ 1,341,985</u>

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2008

The budgetary comparison schedule is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, business type and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,840,841. The budget amendments are reflected in the final budget amount.

- (1) Budgeted items for component units of the Housing Agency and Waterworks utility are removed because related actual receipts and disbursements are not included, see Note 1.

Other Supplementary Information

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements
and Changes in Cash and Investment Balances (Deficits)
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue								
	Hotel Motel Tax	Emergency	Urban Renewal Tax Increment	Housing Trust	Mahaska Memory Project	Public Library Memorial	France Library Memorial	Miscellaneous Gifts	Drug Control Safety Program
Receipts:									
Property tax	\$ -	\$ 3,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	-	472,544	-	-	-	-	-	-
Other City tax	100,218	119	-	-	-	-	-	-	-
Use of money and property	-	-	11,629	5,298	279	16,256	433	1,700	1
Intergovernmental	-	-	-	105,457	-	-	-	-	-
Charges for services	-	-	-	2,442	-	316	-	-	-
Special assessments	-	-	188	-	-	-	-	-	-
Miscellaneous	-	2	16,216	193,237	-	80,277	-	2,535	250
Total receipts	100,218	4,049	500,577	306,434	279	96,849	433	4,235	251
Disbursements:									
Operating:									
Public safety	-	-	-	-	-	-	-	-	80
Public works	-	-	-	-	-	-	-	-	-
Culture and recreation	100,218	-	-	-	3,041	89,793	6,093	576	-
Community and economic development	-	-	191,215	322,650	-	-	-	-	-
Total disbursements	100,218	-	191,215	322,650	3,041	89,793	6,093	576	80
Excess (deficiency) of receipts over (under) disbursements	-	4,049	309,362	(16,216)	(2,762)	7,056	(5,660)	3,659	171
Other financing sources (uses):									
Sale of capital assets	-	-	-	207,974	-	3,443	-	-	-
Operating transfers in	-	-	-	10,699	-	-	-	-	-
Operating transfers out	-	(4,049)	(411,068)	(141,677)	-	-	-	-	-
Total other financing sources (uses)	-	(4,049)	(411,068)	76,996	-	3,443	-	-	-
Net change in cash and investment balances	-	-	(101,706)	60,780	(2,762)	10,499	(5,660)	3,659	171
Cash and investment balances (deficits) beginning of year	-	-	116,945	98,337	8,476	399,527	12,406	35,940	493
Cash and investment balances (deficits) end of year	\$ -	\$ -	\$ 15,239	\$ 159,117	\$ 5,714	\$ 410,026	\$ 6,746	\$ 39,599	\$ 664
Cash Basis Fund Balances (Deficits)									
Unreserved:									
Special revenue funds	\$ -	\$ -	\$ 15,239	\$ 159,117	\$ 5,714	\$ 410,026	\$ 6,746	\$ 39,599	\$ 664
Total cash basis fund balances (deficits)	\$ -	\$ -	\$ 15,239	\$ 159,117	\$ 5,714	\$ 410,026	\$ 6,746	\$ 39,599	\$ 664

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements
and Changes in Cash and Investment Balances (Deficits)
Nonmajor Governmental Funds - Continued

As of and for the year ended June 30, 2008

	Special Revenue							
	Wooden Playground Maintenance	Police Forfeiture	Miscellaneous Grants	2007 Disaster Relief Spring	2007 Disaster Relief Summer	2008 Disaster Relief Winter	2008 Disaster Relief Floods	Total
Receipts:								
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,928
Tax increment financing collections	-	-	-	-	-	-	-	472,544
Other City tax	-	-	-	-	-	-	-	100,337
Use of money and property	101	328	550	15	83	234	-	36,907
Intergovernmental	-	-	27,959	118,513	75,757	62,384	-	390,070
Charges for services	-	-	-	-	-	-	-	2,758
Special assessments	-	-	-	-	-	-	-	188
Miscellaneous	-	-	23,203	-	-	-	-	315,720
Total receipts	101	328	51,712	118,528	75,840	62,618	-	1,322,452
Disbursements:								
Operating:								
Public safety	-	17,417	30,675	-	-	-	-	48,172
Public works	-	-	-	38,508	58,304	55,227	4,906	156,945
Culture and recreation	1,086	-	-	-	-	-	-	200,807
Community and economic development	-	-	27,024	-	-	-	-	540,889
Total disbursements	1,086	17,417	57,699	38,508	58,304	55,227	4,906	946,813
Excess (deficiency) of receipts over (under) disbursements	(985)	(17,089)	(5,987)	80,020	17,536	7,391	(4,906)	375,639
Other financing sources (uses):								
Sale of capital assets	-	12,000	-	-	-	-	-	223,417
Operating transfers in	-	-	-	37,141	8,009	-	-	55,849
Operating transfers out	-	-	-	-	(25,545)	(7,391)	-	(589,730)
Total other financing sources (uses)	-	12,000	-	37,141	(17,536)	(7,391)	-	(310,464)
Net change in cash and investment balances	(985)	(5,089)	(5,987)	117,161	-	-	(4,906)	65,175
Cash and investment balances (deficits) beginning of year	3,362	5,923	15,632	(117,161)	-	-	-	579,880
Cash and investment balances (deficits) end of year	\$ 2,377	\$ 834	\$ 9,645	\$ -	\$ -	\$ -	\$ (4,906)	\$ 645,055
Cash Basis Fund Balances (Deficits)								
Unreserved:								
Special revenue funds	\$ 2,377	\$ 834	\$ 9,645	\$ -	\$ -	\$ -	\$ (4,906)	\$ 645,055
Total cash basis fund balances (deficits)	\$ 2,377	\$ 834	\$ 9,645	\$ -	\$ -	\$ -	\$ (4,906)	\$ 645,055

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2008

	Airport	Storm Water	Edmundson Golf Course	RACI Main Street Loans	Total
Operating receipts:					
Use of money and property	\$ 84,008	\$ -	\$ 86,241	\$ -	\$ 170,249
Charges for service	-	158,396	178,365	-	336,761
Total operating receipts	84,008	158,396	264,606	-	507,010
Operating disbursements:					
Business type activities	127,715	12,625	202,191	-	342,531
Total operating disbursements	127,715	12,625	202,191	-	342,531
Excess (deficiency) of operating receipts over (under) operating disbursements	(43,707)	145,771	62,415	-	164,479
Non-operating receipts (disbursements)					
Intergovernmental	551,952	-	-	-	551,952
Interest on investments	1,412	808	-	731	2,951
Miscellaneous	4,944	-	2,022	1,786	8,752
Capital Projects	(519,497)	(15,085)	-	-	(534,582)
Debt Service	-	-	(30,485)	-	(30,485)
Total non-operating disbursements	38,811	(14,277)	(28,463)	2,517	(1,412)
Excess (deficiency) of receipts over (under) disbursements	(4,896)	131,494	33,952	2,517	163,067
Other financing sources (uses):					
Operating transfer in	13,943	-	978	-	14,921
Operating transfer out	(860)	(37,141)	(1,305)	-	(39,306)
Total other financing (uses)	13,083	(37,141)	(327)	-	(24,385)
Net change in cash and investment balances	8,187	94,353	33,625	2,517	138,682
Cash and investment balances (deficits) beginning of year	11,779	(41,637)	(10,110)	12,834	(27,134)
Cash and investment balances end of year	<u>\$ 19,966</u>	<u>\$ 52,716</u>	<u>\$ 23,515</u>	<u>\$ 15,351</u>	<u>\$ 111,548</u>
Cash Basis Fund Balances					
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	19,966	52,716	23,515	15,351	111,548
Total cash basis fund balances (deficits)	<u>\$ 19,966</u>	<u>\$ 52,716</u>	<u>\$ 23,515</u>	<u>\$ 15,351</u>	<u>\$ 111,548</u>

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and
Changes in Cash and Investment Balances
Internal Service Funds

As of and for the year ended June 30, 2008

	Copier/Fax Revolving	Health Insurance	Total
Receipts:			
Use of money and property	\$ 2	\$ 16,350	\$ 16,352
Charges for services:			
Premiums	-	723,264	723,264
Copier and fax servies	3,769	-	3,769
Miscellaneous:			
Sale of supplies	281	-	281
Refunds/reimbursements	-	22,437	22,437
Total receipts	4,052	762,051	766,103
Disbursements:			
Nonprogram:			
Contractual and contractual services	-	768,480	768,480
Commodities	3,496	-	3,496
Total disbursements	3,496	768,480	771,976
Excess (deficiency) of operating receipts over (under) operating disbursements	556	(6,429)	(5,873)
Cash and investment balances (deficits) beginning of year	(232)	436,980	436,748
Cash and investment balances end of year	\$ 324	\$ 430,551	\$ 430,875

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances
Capital Project Funds

As of and for the year ended June 30, 2008

	Park Shelter Cap Improvement	City Hall Window Project	High Avenue West Revitalization	Highway 63 North Underpass	Downtown Streetscape Project	Industrial Park Street Project	Railroad Crossings Project	Sidewalk Improvement Project	North I & M Avenue West Project	2006 G.O. Bond	2008 G.O. Bond	2008 Refunding Bond	2004 G.O. Bonds Equip/Housing	Total
Receipts:														
Use of money and property:														
Interest on investments	\$ 4,372	\$ 184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,842
Intergovernmental	-	-	-	6,804	-	-	-	-	-	-	-	-	-	6,804
Special assessments	-	-	-	-	-	-	-	2,780	-	-	-	-	-	2,780
Miscellaneous	-	-	-	8,322	-	-	-	-	-	-	-	-	-	8,322
Total receipts	4,372	184	-	15,126	-	-	-	3,066	-	-	-	-	-	22,748
Disbursements:	14,591	20,948	7	15,126	898,112	4,012	43,122	5	4,457	-	26,855	16,410	6	1,043,651
Excess (deficiency) of receipts over (under) disbursements	(10,219)	(20,764)	(7)	-	(898,112)	(4,012)	(43,122)	3,061	(4,457)	-	(26,855)	(16,410)	(6)	(1,020,903)
Other financing sources:														
Bond proceeds	-	-	-	-	-	-	-	-	-	-	3,000,000	1,065,000	-	4,065,000
Sale of capital assets	-	4,151	-	-	-	-	-	-	-	-	-	-	-	4,151
Operating transfers in	-	-	-	-	1,463,904	142,623	61,000	-	4,457	-	-	-	-	1,671,984
Operating transfers (out)	(256)	-	-	-	-	-	-	-	-	(1,667,527)	(4,457)	(1,048,590)	(128,677)	(2,849,507)
	(256)	4,151	-	-	1,463,904	142,623	61,000	-	4,457	(1,667,527)	2,995,543	16,410	(128,677)	2,891,628
Net change in cash and investment balances	(10,475)	(16,613)	(7)	-	565,792	138,611	17,878	3,061	-	(1,667,527)	2,968,688	-	(128,683)	1,870,725
Cash and invesment balances beginning of year	14,848	16,908	-	-	-	-	4,385	5,802	-	1,667,527	-	-	128,683	1,838,153
Cash and investment balances end of year: unreserved	\$ 4,373	\$ 295	\$ (7)	\$ -	\$ 565,792	\$ 138,611	\$ 22,263	\$ 8,863	\$ -	\$ -	\$2,968,688	\$ -	\$ -	\$3,708,878

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Indebtedness

Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds:									
Sewer construction	Feb 1, 1972	4.50%	\$ 880,000	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -
Water, sewer and street improvements	Sept 1, 1997	4.90 - 5.15	740,000	415,000	-	415,000	-	20,705	-
Street improvements and equipment	May 1, 1998	4.40	1,540,000	190,000	-	190,000	-	8,360	-
Water, sewer and street improvements - World Food Park Improvements	Dec 1, 1999	5.05 - 5.40	1,115,000	780,000	-	780,000	-	40,745	-
Street improvements	June 1, 2000	5.15	1,000,000	210,000	-	210,000	-	10,815	-
Street improvements	Nov 1, 2001	3.70	1,100,000	230,000	-	230,000	-	8,510	-
Edmundson Pool renovation	Sept 1, 2004	3.00 - 3.90	1,600,000	1,460,000	-	50,000	1,410,000	50,870	-
Street and park equipment, housing improvements	Sept 1, 2004	3.15 - 3.80	640,000	515,000	-	40,000	475,000	17,990	-
Industrial Park Street, Railroad Crossings, Downtown Streetscaping	Dec 6, 2006	3.70 - 3.90	1,955,000	1,955,000	-	50,000	1,905,000	73,437	-
Total				\$ 5,760,000	\$ -	\$ 1,970,000	\$ 3,790,000	\$ 231,432	\$ -
General Obligation Notes:									
Refunding	Jan 1, 2002	5.50%	\$ 1,015,000	\$ 340,000	\$ -	\$ 175,000	\$ 165,000	\$ 18,263	\$ -
Refunding	Feb 15, 2003	3.00 - 3.50	1,505,000	755,000	-	210,000	545,000	23,055	-
Refunding	Apr 23, 2008	2.60 - 3.30	1,065,000	-	1,065,000	-	1,065,000	-	-
Equipment, Street and Sewer Improvements	May 1, 2008	3.50 - 4.00	3,000,000	-	3,000,000	-	3,000,000	-	-
Total				\$ 1,095,000	\$ 4,065,000	\$ 385,000	\$ 4,775,000	\$ 41,318	\$ -
Revenue Bonds, Capital Loan Notes and Other Notes:									
Sewer capital loan notes	Mar 1, 1994	3.00%	\$ 1,515,000	\$ 764,000	\$ -	\$ 482,000	\$ 282,000	\$ 22,920	\$ -
Sewer capital loan notes	Feb 16, 1996	3.00	2,671,000	1,599,000	-	139,000	1,460,000	47,970	-
Sewer revenue refunding capital loan notes	Nov 27, 2002	3.75 - 4.30	1,585,000	855,000	-	165,000	690,000	33,715	-
Sewer revenue bonds	Dec 6, 2002	3.00	4,017,000	3,550,000	-	163,000	3,387,000	105,904	-
Airport mower	May14, 2008	0.00	14,030	-	14,030	-	14,030	-	-
Total				\$ 6,768,000	\$ 14,030	\$ 949,000	\$ 5,833,030	\$ 210,509	\$ -
Capital Leases:									
Golf equipment	Jul 18, 2005	5.58%	\$ 99,139	\$ 59,371	\$ -	\$ 18,684	\$ 40,687	\$ 3,449	\$ -
Golf carts	Aug 10, 2005	5.6013	62,805	54,648	-	5,469	49,179	2,882	-
Total				\$ 114,019	\$ -	\$ 24,153	\$ 89,866	\$ 6,331	\$ -
Housing Assistance Fund:									
Iowa Finance Authority Loan	Oct 16, 2006	3.00%	Varies	\$ 140,088	\$ -	\$ 140,088	\$ -	\$ 1,515	\$ -

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities

June 30, 2008

	General Obligation Bonds and Notes														
	Edmundson Pool Renovation Issued September 1, 2004		Streets and Park Equipment Housing Improvements Issued September 1, 2004		Industry Park Street Railroad Crossings, Downtown Streetscaping Issued December 6, 2006		Refunding General Obligation (Notes) Issued January 1, 2002		Refunding, Frankel Building, City Hall Improvements (Notes) Issued February 15, 2003		Street, Sewer Improvements and Equipment (Notes) Issued May 1, 2008		Refunding General Obligation (Notes) Issued April 23, 2008		
Year Ending June 30,	Interest		Interest		Interest		Interest		Interest		Interest		Interest		Total
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2009	3.00%	\$ 180,000	3.15%	\$ 70,000	3.70%	\$ 155,000	5.50%	\$ 165,000	3.00%	\$ 210,000	3.50%	\$ 130,000	2.60%	\$ 165,000	\$ 1,075,000
2010	3.20	185,000	3.30	75,000	3.70	165,000	-	-	3.30	215,000	3.50	100,000	2.80	180,000	920,000
2011	3.40	190,000	3.50	75,000	3.70	170,000	-	-	3.50	120,000	3.50	165,000	3.00	190,000	910,000
2012	3.50	200,000	3.60	80,000	3.70	175,000	-	-	-	-	3.50	180,000	3.10	190,000	825,000
2013	3.65	210,000	3.70	85,000	3.70	185,000	-	-	-	-	3.50	175,000	3.20	105,000	760,000
2014	3.75	220,000	3.80	90,000	3.70	190,000	-	-	-	-	3.50	175,000	3.25	115,000	790,000
2015	3.90	225,000	-	-	3.75	205,000	-	-	-	-	3.50	190,000	3.30	120,000	740,000
2016	-	-	-	-	3.80	210,000	-	-	-	-	3.50	220,000	-	-	430,000
2017	-	-	-	-	3.85	220,000	-	-	-	-	3.60	210,000	-	-	430,000
2018	-	-	-	-	3.90	230,000	-	-	-	-	3.70	215,000	-	-	445,000
2019	-	-	-	-	-	-	-	-	-	-	3.75	225,000	-	-	225,000
2020	-	-	-	-	-	-	-	-	-	-	4.00	235,000	-	-	235,000
2021	-	-	-	-	-	-	-	-	-	-	4.00	250,000	-	-	250,000
2022	-	-	-	-	-	-	-	-	-	-	4.00	260,000	-	-	260,000
2023	-	-	-	-	-	-	-	-	-	-	4.00	270,000	-	-	270,000
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 1,410,000		\$ 475,000		\$ 1,905,000		\$ 165,000		\$ 545,000		\$ 3,000,000		\$ 1,065,000		\$ 8,565,000

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities

June 30, 2008

Revenue Bonds and Notes										
Year Ending June 30,	Sewer Revenue Capital Loan Notes Issued March 31, 1994		Sewer Revenue Capital Loan Notes Issued February 16, 1996		Sewer Revenue Refunding Capital Loan Notes Issued November 27, 2002		Sewer Revenue Bonds Issued December 6, 2002		Airport Mower Issued May 14, 2008	
	Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2009	3.00%	\$ -	3.00%	\$ 144,000	3.75%	\$ 170,000	3.00%	\$ 168,000	- %	\$ 4,677
2010	3.00	42,000	3.00	148,000	4.00	175,000	3.00	173,000	-	4,677
2011	3.00	43,000	3.00	152,000	4.15	180,000	3.00	179,000	-	4,676
2012	3.00	46,000	3.00	157,000	4.30	165,000	3.00	184,000	-	-
2013	3.00	48,000	3.00	162,000	-	-	3.00	189,000	-	-
2014	3.00	50,000	3.00	167,000	-	-	3.00	195,000	-	-
2015	3.00	53,000	3.00	172,000	-	-	3.00	201,000	-	-
2016	-	-	3.00	177,000	-	-	3.00	207,000	-	-
2017	-	-	3.00	181,000	-	-	3.00	213,000	-	-
2018	-	-	-	-	-	-	3.00	220,000	-	-
2019	-	-	-	-	-	-	3.00	226,000	-	-
2020	-	-	-	-	-	-	3.00	233,000	-	-
2021	-	-	-	-	-	-	3.00	240,000	-	-
2022	-	-	-	-	-	-	3.00	247,000	-	-
2023	-	-	-	-	-	-	3.00	255,000	-	-
2024		-	-	-	-	-	3.00	257,000	-	-
Total		\$ 282,000		\$ 1,460,000		\$ 690,000		\$ 3,387,000		\$ 14,030

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Years Ended

	June 30,			
	2008	2007	2006	2005
Receipts:				
Property tax	\$ 3,966,087	\$ 3,880,396	\$ 3,953,084	\$ 3,635,079
Other City tax	1,745,001	1,643,292	1,631,480	1,735,966
Licenses and permits	232,545	229,410	226,789	186,466
Use of money and property	307,762	262,233	201,733	115,941
Intergovernmental	1,508,153	1,415,344	1,318,346	1,285,278
Charges for services	153,814	141,263	99,772	44,514
Special assessments	5,285	6,880	4,547	6,080
Miscellaneous	381,549	533,352	550,252	588,255
Total	<u>\$ 8,300,196</u>	<u>\$ 8,112,170</u>	<u>\$ 7,986,003</u>	<u>\$ 7,597,579</u>
Disbursements:				
Operating:				
Public safety	\$ 2,437,104	\$ 2,207,688	\$ 2,187,115	\$ 2,003,707
Public works	1,252,542	1,051,131	911,216	939,256
Culture and recreation	1,010,016	1,020,871	900,014	809,170
Community and economic development	1,674,031	1,664,419	1,584,287	1,586,488
General government	551,333	540,973	530,248	518,914
Debt service	2,768,353	1,629,279	1,651,904	1,621,126
Capital projects	1,043,651	479,296	1,499,891	880,326
Total	<u>\$10,737,030</u>	<u>\$ 8,593,657</u>	<u>\$ 9,264,675</u>	<u>\$ 8,358,987</u>

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
HOME Investment Program	14.239	05-HM-109-69	\$ 32,329
U.S. Department of the Interior:			
State Historical Society of Iowa:			
Historic Preservation Fund Grants-In-Aid	15.904	2006.08	6,715
U.S. Department of Transportation:			
Governor's Traffic Safety Bureau:			
Incentive Grants for Use of Seat Belts	20.604	07-157, TASK 140	2,876
	20.604	08-157, TASK 135	505
U.S. Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-5780(612)-8V-62	6,804
U.S. Department of Homeland Security:			
Iowa Homeland Security and Management Division:			
Disaster Grants - Public Assistance	97.036	DR-1727	67,149
	97.036	DR-1737	62,384
	97.036	DR-1688	28,880
Direct:			
U.S. Department of Justice:			
COPS Public Safety Partnership and Community Policing Grants	16.710	2005 CKWX0520	12,290
Bulletproof Vest Partnership	16.607	1121-0235	695
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0072-05-2007	<u>491,608</u>
Total			<u>\$ 712,235</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oskaloosa and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Miscellaneous Data (Unaudited)

June 30, 2008

Form of government	Mayor/Council
Area	7.4 square miles
Building permits, fiscal year ending June 30, 2008	
Permits issued	154
Estimated costs	\$7,671,105
Fire protection:	
Number of stations	1
Number of full-time fire fighters	8
Police protection:	
Number of stations	1
Number of full-time officers	17
Recreation:	
Number of parks	5
Number of acres	205
Number of swimming pools	1
Employees of City as of June 30, 2008	182
Schools:	
Public	3
Parochial	1
Population:	
1900	9,212
1910	9,466
1920	9,427
1930	10,123
1940	11,024
1950	11,124
1960	11,053
1970	11,224
1980	10,989
1990	10,600
2000	10,938



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
4949 Pleasant Street, Suite 104
West Des Moines, Iowa 50266

(515)-223-4841
FAX: (515)-223-0851

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 28, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Oskaloosa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oskaloosa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 28, 2008



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
4949 Pleasant Street, Suite 104
West Des Moines, Iowa 50266

(515)-223-4841
FAX: (515)-223-0851

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the primary government of the City of Oskaloosa, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The primary government of the City of Oskaloosa's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the primary government of the City of Oskaloosa's management. Our responsibility is to express an opinion on the primary government of the City of Oskaloosa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the primary government of the City of Oskaloosa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the primary government of the City of Oskaloosa's compliance with those requirements.

In our opinion, the primary government of the City of Oskaloosa complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the primary government of the City of Oskaloosa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the primary government of the City of Oskaloosa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the primary government of the City of Oskaloosa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the primary government of the City's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

A control deficiency in the primary government of the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the primary government of the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the primary government of the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the primary government of the City's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oskaloosa and other parties to whom the City of Oskaloosa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 28, 2008

CITY OF OSKALOOSA

Schedule of Findings

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements of the primary government of the City, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting is disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.106 - Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Oskaloosa did not qualify as a low-risk auditee.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The two employees in the City Clerk's office collect cash receipts, record collections and maintain custody of collections until deposit. As a result, the City has an inadequate segregation of duties over cash receipts.

Recommendation - We recommend segregating the duties of collecting cash receipts and posting them to the general ledger.

Response - This recommendation is accepted. The City will look to realign and reassign duties where practical.

Conclusion - Response accepted.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2008

Part III: Findings for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2008

Part IV : Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 did not exceed amounts budgeted.
- IV-B-08 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.
- IV-D-08 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name	Title	Business Connection	Transaction Description	Amount/ Gross	Exemption	Reason
Tim Besco	fire fighter	Besco Electric	electrical work	\$ 871	\$ 871	Chapter 362.5(10)
Steve Thomas	golf board member	sole proprietor	mowing services	1,500	1,500	Chapter 362.5(10)
Doug Van Roekel	reserve fire fighter	Van Roekel Appliance	appliance purchases	678	678	Chapter 362.5(10)
Tom Jimenez	council member	Oskaloosa Quality Rental	rental	1,403	1,403	Chapter 362.5(10)
Ron Padgett	water board member	Mr. Rooter, Inc.	sewer maintenance	886	886	Chapter 362.5(10)

Chapter 362.5 of the Code of Iowa prohibits transactions with a city officer that has an interest, direct or indirect, in any contract or job of work material or the profits thereof or services to be furnished or performed for the officer's or employee's city. A contract entered into in violation of this section is void. The provisions of this section do not apply if the purchases benefitting that officer or employee do not exceed a cumulative total purchase price of \$1,500.

- IV-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

CITY OF OSKALOOSA

Schedule of Findings - Continued

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting - Continued:

- IV-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. The City published the minutes of the Council proceedings as required by Chapter 372.13(6) of the Code of Iowa.
- IV-G-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-H-08 Revenue Bonds - The City established the sinking and reserve accounts required by the sanitary sewer bonds resolution.
- IV-I-08 Payment of General Obligation Bonds - General obligation bond payments were paid from the Debt Service Fund in compliance with Chapter 384.4 of the Code of Iowa.
- IV-J-08 Economic Development - We noted no instances of noncompliance with the public purpose provisions of Chapter 15A of the Code of Iowa pertaining to economic development.
- IV-K-08 Notice of Public Hearing for Public Improvements - We noted no instances of noncompliance with the Chapters 384.102 and 362.3 of the Code of Iowa.
- IV-L-08 Sales Tax - We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- IV-M-08 Financial Condition - The City operates on the basis of cash receipts and cash disbursements; therefore, fund balances are not applicable. However, the following funds had a deficit balance as of June 30, 2008:

Special revenue, 2008 Disaster Relief - floods \$ (4,906)

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return the funds to sound financial position.

Response - The 2008 Disaster Relief Fund deficit balances will be eliminated with revenues from possible grant funding.

Conclusion - Response accepted.